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SOURCE DOCUMENTARY

1. On file with CIA is the Minutes of the Monthly Round Table Conference held on 4 Feb 48 sponsored by the Foreign Credit Interchange Bureau, National Association of Credit Men, One Park Avenue, New York 16, N.Y.
2. The following are topic headings:

World Trade Directory Reports  
Letters of Credit  
Quotas  
E.R.P. Exchange Guaranty  
Bank Charges  
Export Control  
Holding Dollar Balances

3. The countries represented in this issue are: Argentina, Australia and New Zealand, Belgium, Bolivia, Brazil, Chile, Costa Rica, Cuba, Ecuador, Honduras, Peru, Sweden, Trinidad, Turkey, and Uruguay.

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**Minutes**

# Monthly Round Table Conference

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Foreign Finance,  
 Credit, Collection and Exchange Problems

HELD ON

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February 4, 1948  
 Hotel Pennsylvania, New York

CHAIRMAN

Ralph M. Binney, Asst. Vice-Pres.  
 The First National Bank of Boston

DISCUSSION PANEL

Fred R. Pinter, Vice Pres.  
 Corneliusen & Stakgold, Inc.

George E. Quisenberry, Vice-Pres.  
 McGraw-Hill International Corp.

**COMPLIMENTARY***Sponsored by*

**THE FOREIGN CREDIT INTERCHANGE BUREAU**  
**NATIONAL ASSOCIATION OF CREDIT MEN**

One Park Avenue, New York 16, N. Y.

PHILIP J. GRAY, Manager



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**NEXT**  
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The Round Table Conference for February on Foreign Finance, Credit, Collection and Exchange Problems was held on Wednesday, February 4th, 1948, at the Hotel Pennsylvania, New York City, under the auspices of the Foreign Credit Interchange Bureau of the National Association of Credit Men.

Chairman: Ralph M. Binney, Assistant Vice-President, The First National Bank of Boston.

Discussion Panel: Fred R. Pinter, Vice-President, Corneliusen & Stakgold, Inc.; George E. Quisenberry, Vice-President, McGraw-Hill International Corporation.

Time of Meeting: 2:00 p.m. Approximately 150 were present.

(Mr. Gray opened the meeting, welcomed the members and guests, and presented the Chairman and the Discussion Panel).

ROUND TABLE CONFERENCE

EXPORT CONTROL AND  
EXPORT LICENSING  
POLICY

FCIB 2/4/48

CHAIRMAN: I am going to ask Fred Pinter as one of the Panel Members whether he does not want to say something about this export control situation to perhaps start a little controversy, or start something, and give us any ideas he may have.

MR. PINTER: Sitting between Mr. Mack and Mr. Binney, perhaps I should be better off in Vermont, which summarizes my outlook on the new export controls which have been imposed on us, and which will come upon us on the 1st of March, as we all know.

I have been in the export business for 22 years, and, obviously, I resent it whenever new restrictions are imposed upon us, because I know how detrimental they are to the free flow of international trade.

Trade, today, is already handicapped by import regulations in practically all foreign countries. Maybe there is one or two, -- I think Switzerland is one -- which has no stringent import regulations. All other markets are not accessible to our merchandise except under import licenses. So if the Government now comes and tell us there are new regulations putting all exports to Europe under license as of March 1st, I can only ask myself why this should be done right now. The war is over and instead of spurring our efforts to sell merchandise, we get new regulations placed before us and new handicaps which must slow up our activities and increase our expenses.

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I have never yet seen any guided economy where that is successful in the economic sense. Russia and Hitler Germany, and Spain -- the governments there run the business, and I think from an economic angle they show very poor results. Before the war Great Britain was perhaps the freest country in Europe, and the change there since the Socialist Government has been trying to rule their economy is very apprehensive, to my way of feeling.

I have just cut out a notice from an English paper that I received today, and I would like to read it to you because I think it is quite significant. It says:

"Export Army Doubled. Manpower statistics just issued by the Ministry of Labor showed that 1,911,000 workers were engaged in manufacture for export when the November figures were compiled. Before the war, the number of workers producing for export was 990,000. Thus we now have very nearly twice as many workers for export. But our exports, according to Mr. Harold Wilson, President of the Board of Trade, are now running at the rate of no more than 20 per cent above pre-war. So far, no Government Department has cleared up the mystery of why nearly twice as many workers are producing only a fifth more goods for export."

I think that is a very good example of how business looks and how exports are defined under Government control. One of the reasons why the regulations are supposed to have been reinstated is, as far as I know, the dwindling amount of dollar exchange in European countries. This is quite true, but any one who has tried to do business with Europe in the last five or six months will know, and if there is a different experience, I would like to know it myself, that exports to Europe have already been very much restricted. We have the volume of incoming orders from European countries, very much below what it was a year ago. All these countries are very anxious to import only merchandise which they actually must have. Holland, Sweden, France -- all those countries are very severe in their restrictions. They know exactly what they want. They know what they are allowed to export, and I think we get only about 10 per cent of orders of all the inquiries that we get from these countries. Why there should be a new control interposed on the control which those people have applied, I don't know. It is a puzzle to me.

The second point that we must not overlook is the increase of the availability of merchandise in this country. We represent about 24 factories. Some of them we have represented since 1922 and 1923. Out of these 24, 20 today are anxious for us to get as much business as we can possibly get for them.

Deliveries that were a year ago six and eight and ten months are now cut to 30 and 60 days. In some instances, I get the merchandise so fast that they cannot cancel the order two or three days after I get it. The merchandise is on its way.

So we have to recognize that. Besides we must also be aware of the fact that there is foreign production. We are getting increasing production from Italy, France, Belgium, Switzerland; they all do a tremendous inter-country commerce. We find we are out in regard to deliveries, and out in regard to prices, very often. We have now started at the request of our factories in many industries to offer our customers abroad credit terms. We used to sit back in our chairs and say, "We would not look at the order before you have the money here." Today we take our hats in our hands again, and we write the customers nice letters "why have you forgotten all about us? And if you do not want to pick up the credit, I would not mind giving you 30 and 60 days," and so on. We do this because we know our factories need the business, and so do we.

So if the Government now says that we must renew licenses, there must be another reason in my opinion than an economic one. I do not profess to understand too much about the laws working in Washington, but the economic law, I think is the same all over, and from a purely commercial standpoint, I do not understand these regulations. I don't understand them also as applying only to Europe. This will open the way to all those little sly foxes who will say, "I want to get the merchandise over there, why not ship it to Canada or Egypt or Cuba and transship there?"

In other words, if the Government has reasons -- and they must have reasons (I hope they must have) -- reasons to impose those licenses, then it is bound to come to the point where it covers all countries, because you cannot exclude one Continent and leave the rest of the world open. I don't see how it can be done in a practical way. So if I assume that the Government has such reasons, I can only assume that they are political and there, of course, I don't know what it is, or what it can be.

In France, they used to have an expression, in the diplomatic language, whenever there is something done by the Government, which nobody understood, they put their fingers on their lips and said "Raison d'etat." That means "state reasons." That explained everything. It was whispered and it was whispered in your ear, and you had to make a very surprised face, and then, of course, shake your head and say, "Under these conditions, there is nothing we can do about it."

As far as I am concerned, I would say that if the reasons of

the Government are political then I can only say "Raison d'etat," and I will have to resign myself. And I would say we have to do our very best to understand what the Government wants and to cooperate with them, provided they do their very best to understand what the legitimate export trade needs and cooperate with us.

On that basis, I would say looking at the regulations as they are, I do not see how they can work. We are supposed to apply for an export license. Business today is done in the following way: The customer in Holland, who wants to place an order with us, sends us his specifications, and asks for pro forma invoices, and I don't know how many copies. We write up the copies and send them to the customer. The customer applies for his import license. The import license may be given within four weeks or may be within eight weeks, or I don't know how many weeks. After he gets the license, he cables us and says, "Here is the number, now get busy and rush the goods, because my license expires on the 15th of the very next month or the 30th of the same month," whatever it is. So we all get in a huddle and we figure out, "I have to telephone Vancouver, and Mr. Snyder has to telephone San Francisco," and we cannot get the boat out of there, and all that sort of thing, which you know.

If I assume that we have to apply for a license, after the customer cables me his import license number, I have to apply to Washington for a license. This may take two days or two weeks or four months. I don't know how long. We have a license back two weeks ago which we submitted to Washington in October. And it said, "No action can be taken before the first of March." In the meantime the business has gone to hell. We have letters of credit in the house for orders that we took in October and November. We applied for the licenses on the 23rd or 22nd of December. Now we get back a card saying this license cannot be processed before the 1st of March. How can we do business under such conditions? I don't know. This is why I say the license procedure has to be modified so as to help us and to enable us to maintain some sort of a business if we wish to maintain our factories and keep them working.

There is one more point I would like to bring out here, namely, that these licenses, somehow have put the onus of increased pressure and scarcity of material on the export trade. Maybe not directly, but impliedly, and I want to refute this and repudiate this implication very strongly.

Many people I talk with say, "If you fellows did not export all the food we would not have to pay a dollar for eggs or 95 cents for butter." That is not true. The fact is that the critical material like steel, coal, food, and certain chemicals have been under export license for a long time. If the Government does not want these goods to go out, they have the full approval of all legitimate exporters to put an embargo on those critical items, or if they do not want to put an embargo, at least, ceiling prices. Let them tell us from the beginning, this and this merchandise has this and this ceiling price, and don't even apply for a license if your price is higher. I think that would be a practical procedure, and it would eliminate a lot of dead wood, and it would eliminate a great deal of specious remarks that are made about export being the big bad wolf in our economic field. Actually, I wish we were as big as they say we are.

CHAIRMAN: Thank you, Fred. I am going to ask George Quisenberry if he wants to comment on the subject before we get you fellows on the floor warmed up.

(Continued on page 6).

MR. QUISENBERRY: Mr. Pinter has made such a fine statement, he has covered about the whole thing. He has made, however, a much more tempered statement than I think I would have made. Some of you folks have probably heard me expatiate about the Government before. The one point, or a point -- this just covers on what Fred has been saying -- that I object to about this whole thing is the example that Uncle Sam is now setting to the rest of the world. There are very few countries other than the United States that have any export controls. Practically every country has import controls, but very few have export controls.

Now, Uncle Sam is showing the way. I was fortunate enough to make a trip to parts of Europe last fall, and I discovered there, and I related it to us just as well, that one of the great problems of the world today, as much in the United States as it is in Europe, is the problem of too much government.

Too much government: And here Uncle Sam comes out and he does not control exports merely on the basis of short supply to areas which do not have their own license control, but he takes it from all of Europe on all products. I went through the war period on a lot of committees in Washington, and participated in a lot of export activities during the war, and with the best will in the world, during wartime, when Washington could practically commandeer any person or any group of people that they wanted to work for patriotic reasons, they were never able to lick these things and get a quick flow of licenses in and out without problems and troubles.

Now we come along, almost three years after the end of the European War, which was in May of 1945, and this is February and March of 1948, and we go back to licensing controls on products that are already on the downhill in volume, that are already in over-supply in the United States, and we present that as the example of the United States to the rest of the world.

Now I think you all know that wandering around in the legislative halls of Brazil at this moment is a bill to create license control in Brazil. Brazil has had some, but here is a new step. That has not been finalized yet, but do you think there is any chance for the Brazilians to stop it after Uncle Sam comes out and says, "We have got to have export controls"? I do not think there is a chance. I have really believed and do believe (you will say I am a NAM, but I am not) -- but I think it is true -- that this country has been built up on people going out and going to work, and finding ways of doing this and doing that.

I think license control on unnecessary products, which are already screened in Europe, is a negation of all that we stand for, all that the country has stood for, and while I am sure there are political reasons, I suspect -- I am quite definite in my own mind -- that the damage that is going to be caused by the continuation, by the imposition of license controls over our whole foreign commerce to Europe -- and presumably later to the rest of the world -- is going to do far more harm to recovery than any good that will come out of people in Washington at the moment saying, "Look, we are controlling exports."

I have heard very little criteria, little reason as to how the thing will work, and I may say this: That I am quite certain in my own mind that there will not be one iota difference in the amount of goods going to Europe under export control. I think the essential products will go to Europe the rest of this year in just as great volume as they would without export control, except that there may be, instead of the volume in March and April, the volume may be put over to May and June and July, until this thing gets working. But you have put in there all these problems of paper work, all the things that come out of a control, and with the best will in the world, and the people who are going to actually handle these licenses down there, I am sure we should credit them with all the will in the world, and all the desire to make this thing work, with the least harm, with the least delay, with the least trouble and the least additional expenditures caused by it. They can't make it work.

I am quite sure of that, but I do not believe that in rushing into this thing, the people in Washington have the slightest comprehension or have a real comprehension of what an intricate thing this matter of international business is; and how much, when they stick their fingers in the wheels of progress, they are going to slow it down, and how much actual harm they are going to do to it. And I submit, finally, and I will sit down now, that the export control is going to do far more damage than the good it will accomplish. Thank you.

CHAIRMAN: Thank you George. I will not put our friend Joe Mack on the spot, here, but I will ask him if he wants to make any comments, and let him give us any information he may have. He may want to pass along a little resume of what happened at last Thursday's meeting, if some of you were not present there.

MR. MACK: There have been two recent major changes in export control policy (1) a new policy under which price will be an important criterion in the distribution of export licenses among applying exporters, and (2) the extension of

licensing controls to shipments of all commodities to Europe.

We discussed the details of the first change of policy as covered in Current Export Bulletin No. 431 at our meeting in January, but for those who were not present at the all day meeting we had at the New Yorker Hotel last Thursday I should like to summarize the statement of Mr. Thomas C. Blaisdell, Jr., Assistant to the Secretary of Commerce and Director of the Office of International Trade, first covering the basic reasons for the adoption of the policies enunciated in Current Export Bulletin 431.

There are two outstanding reasons which have always been regarded as basic policy on export control, one, is the protection of our own economy. This was written into the legislation extending the authority to control exports to February 28, 1949, which was signed by the President in December 30, 1947, in the following language:

Section 1. "The purposes of this joint resolution are to aid in stabilizing the economy of the United States, to aid in curbing inflationary tendencies, to promote the orderly and equitable distribution of goods and facilities, and to aid in preventing maldistribution of goods and facilities which basically affect the cost of living or industrial production."

Secondly, the carrying out of the foreign policy of the United States. Both of these major factors run through all of our controls.

The adoption of the policy announced in Current Export Bulletin 431 was a shift away from the historical basis of issuing licenses to individual exporters and moving on to a basis of competition. Anyone who has worked with export control at all recognizes that export control and the granting of licenses was, in effect, a grant of privilege under the circumstances. In one way it was and is a grant of monopoly. It is like a patent, or any other piece of particular favor which is supported by government. So that the export license became a privilege, and there is no way under a licensing system that you can get rid of it. Any export license does consist of a favor of greater or less value. That is evidenced by the fact that these pieces of paper actually have a sales value in the market.

The use of the historic position became more of a grant of privilege than it seemed wise to continue indefinitely. For a reasonably short time, historic position does give a real recognition of the play of competitive forces and the ability of individual businessmen to hold their place in the business

world. But over a long period all that it does is to continue the test of privilege, rather than the test of business competition and efficiency.

The decision to move from a historical basis over to a business basis, namely, a basis of competition on the price criterion, was taken with full recognition of the difficulties in administration, even though there were great difficulties in the administering of the historic position, because the ability to demonstrate historic position was anything but easy.

So we have had then the decisions that have to be made, the attempt to introduce the competitive principle, and the recognition of the businessman's right to make his own decision in competition with other people, rather than to have the decision made simply by a licensing officer.

As indicated, the second basic policy on export control is the carrying out of the foreign policy of the United States.

On this point it is recognized that it is just as difficult to define the carrying out of the foreign policy of the United States in sharp, clear terms as is the concept of the protection of the domestic economy. Different people have different ideas of what these two things mean. We have different ideas about what our foreign policies ought to be. Nevertheless, it is necessary and we do come to a conclusion as a result of our discussions and as a result of our political life, we make the decisions as to what these things really are. Export control has been used for the carrying out of our foreign policies in many cases, as well as in the protection of the domestic economy. Thus we have used export control as a method of implementing foreign policy. In itself it does not constitute foreign policy. It can only be used to implement foreign policy.

Now as to the requirement that all commercial shipments to Europe, after March 1st, must be covered by the individual license, as announced in Current Export Bulletin 434. This must be viewed in the light of the foreign policy which we have been pursuing as well as in the light of the policy of protecting the American economy.

The foreign policy which we have been pursuing, namely, one of endeavoring to promote through the wise use of the commodities which have gone to Europe, for the recovery of Europe, was one of the several factors which was influential in this determination being made.

The problem was essentially one of carrying out two things: one was the protection of the resources which were being put in Europe, the programs which were being planned, country by country; and the second was assuring the American public that the funds which were made available, as far as the U. S. is concerned, were adequately and wisely spent.

These two policies, or these two objectives apply particularly to "Western Europe," without drawing any particular line between countries, namely, those countries to which aid has been extended in one form or another.

The basic problems there were two: The implementation of program, namely, seeing that goods flowed to the points where they were needed; and as long as goods were in short supply, they were directed to the countries that they should continue to go to. This is the policy we have been carrying out, as you all know, through the use of the Positive List, particularly on short supply commodities. The restrictions applied under the new policy are those which require advance knowledge, insofar as we can have it, and this is secured at least in part through the submission by the various countries of their programs as to what is to go in what directions.

The second part of that, the export licensing feature, is to insure that those programs are carried out. In this case there is no limitation involved. It is a carrying out of the direction of movement of goods.

The second feature which I want to call your attention to is the implications of the policy, as far as Eastern Europe is concerned. You know that many questions have been raised about the continuation of any trading with Eastern Europe.

The policy which has been stated clearly -- and I think has been accepted by Congress as well as the Administration -- has been one that we wish to continue trading with Eastern Europe. Again, we do not wish to go onto an embargo basis. Embargoes are of no great help to anyone. However, there have been, as you know, suggestions that all trade with Eastern Europe be embargoed; and as I have indicated, that policy has not been accepted either in the Congress or in the Executive Branches.

However, it is also no secret, and it is just as well that we face the situation frankly; problems do arise, and the problems of dealing tradewise with the countries of Eastern Europe can be carried out with greater or less degrees of stringency, and the export control is an instrument which can be used in that direction.

This is a particularly practical question for a great many manufacturers who have been supplying goods to Eastern Europe. We receive letters of inquiry as to whether the Department of Commerce or the State Department will indicate to a particular manufacturer that, if he accepts a particular contract for delivery of goods into Eastern Europe, there will be no embargo or no restriction placed on carrying out that contract. Some of these contracts are of very considerable value.

Up to the present time we have been unable to state at all "Yes, this is an item which we do approve, a contract which it is sound policy to carry out."

All we can say to you is, "Use your best judgment; go ahead, and you take the responsibility."

The extension of this policy, then, is one of the acceptances of governmental responsibility for those cases. We will either say "Yes, it is regarded as sound policy to move this equipment, to accept these contracts and carry out the suggestions" and the other half of that can also be dealt with; in other words, we have insisted continuously that trade is a two-way street. It is now possible under this regulation to use the control of exports as part of the story in dealing with state training governments, and we will avoid, just as far as we possibly can, the introduction of that factor into the dealing.

However, we do feel that we owe it to the business community to either say "Go ahead, and barring intervention of events over which no one has control, at least as far as this government is concerned, there can be no criticism of you for accepting this or that contract. You need have no fear that if there should be an interruption there will not be adequate recourse."

Now, I am stating this very frankly, not in terms of predictions, but in terms of the necessities which may arise in economic fields; and it is essential that as far as the machinery is concerned, we be in a position to handle those things and to handle them directly.

There is nothing further that I can add. We all know that there has been opposition to the policy. A lot of resolutions have been passed to the policy. The only statement I would like to make is that the Government is doing its best to make this thing work, with the least harm and detriment to business. I have just spent two days in Washington and they have assured me down there that steps are being taken to process these applications promptly. I hope that is true. Thank you.

CHAIRMAN: Does anybody from the audience want to comment on this question?

MEMBER: I would like to say that I agree with what the first two speakers had to say, but that there is one thing that is far more important to me than anything that has been said previously. The difference between France and other countries, and this country in the past, has always been that if our Government said "As a reason of state," we asked them what it was. We just did not take their word. Nowadays they do not. I would like to read a small paragraph from a publication put out by the Royal Bank of Canada. They discuss civil liberty. What is civil liberty, and they say: "There is an important protecting factor. One liberty preserved under the democratic form of Government is the right to complain about violations of one's liberty.

So long as citizens have the right to make complaints, and the complaints are freely heard and fully considered, and so long as indicated reforms are speedily made, then citizens have the utmost of civil liberty that wisemen look for." Now, we are still complaining. They have not taken away our right to complaint, but are those complaints being fully considered and are the indicated reforms speedily made? The arrogance with which this whole thing has been thrown into our faces by Washington would indicate that our civil liberties are being violated. If we go out to protect our civil liberties, we will also protect our other liberties such as indicated by the first two gentlemen.

I just want to make that short comment so that the people will think of what this is really leading to. It is leading to something far more important than putting us out of the export business.

CHAIRMAN: Thank you. I feel that a lot of us think that from a public relations point of view, this has not been handled as delicately as it might have been by Washington.

MEMBER: One reason has been given for the Government policy of export licensing and that was that the Government looks out upon the fact that European countries are very short in dollar exchange, so that they will get as much value for their dollar as possible. In other words, that is one reason. But I think it is an economical reason. An economical reason would say that an exporting country should get as much value for the export goods as possible, and if we try to settle as cheaply as possible, I think that is a very noble gesture, and perhaps we should call it noblesse oblige.

There is another worry which we small exporters always have. There were two points outlined for the policy of export licensing. One was that it should be prevented -- the goods were sold to Europe for three or four times their value, of the manufacturer's value. That is, of course, quite reasonable. But in another place, there was a report about the Washington meeting which I believe most of you have read. It was said that the cheapest offer would obtain the export license. That is not the worry of the small exporter: The manufacturer always gets the license and not the chief exporter. So I would like to point out these two differences in policies, which, in my opinion, are very important. As a whole, I think we cannot do much against it.

There was one very important question in the meeting at the New Yorker. It was whether this policy could be repealed, and the answer was yes, it could be repealed by legislation. And I hope we will form a resolution that we are in favor of such a repeal.

MEMBER: In connection with price criteria, I should like to bring out that the Board of Directors of the Export Managers Club has introduced a bulletin, which leads me to believe, as far as manufacturers are concerned, they are not going to be affected by the proposal.

PANEL MEMBER: If the manufacturers are not going to be affected, then why put it in anyhow? What is the reason for putting it in if you are not going to affect somebody, just to present an example to the rest of the world?

I am not talking about short supply items, and as I understand it price criteria are going to apply only to certain short supply items. The majority of items that are making up commerce are essential products that today are no longer in short supply, and in which full competition rules and in which the price will be determined in the market place, and not by what somebody thinks here, gray marketeer or manufacturer or what. But if it is not going to affect manufacturers, why make manufacturers and exporters go through all this paper work. I am in the publishing business. We have a shortage of paper, immediately. I would like to see that paper saved and used for something useful.

CHAIRMAN: Does anybody else want to comment on this. If not, I will move along.

MEMBER: I think it would be constructive if we took the concensus of the meeting, and I would like to suggest that Mr. Pinter phrase a resolution. And we can ask thos present if they agree with that resolution. I think we should have something

boiled down here at the end.

PANEL MEMBER: I would like to make one other point, a practical point for my own clarification. Perhaps Mr. Mack knows the answer, and perhaps we can get it somewhere. If I apply for a license on the strength of an order for which my customer got his import license and his exchange allocation, and my license is rejected by the Government for some reason or other, what happens to the order which the customer placed with me?

In many countries -- for example, Sweden and Holland -- licenses cannot be transferred, amounts cannot be calculated. The fellow who gets, say a thousand dollars allocated for my order has no control over them unless he pays -- he only has to pay them to me. He cannot pay it to anyone else. The only thing he has to do is to go back to his Government and say "Here is the thousand dollars again, because my firm did not get the license in Washington. This will only happen once because that customer will have been my customer for the longest time the day this happens, because he would lose his allocation, and he would lose the profit he can make on his order; but he would have had the pleasure of going through all the rigamarole of applying for his license, and I would have had the pleasure of going through all the motions of getting my export license. Now, I believe this is a fundamentally important question to every exporter, and we should get an answer to that detail.

I do not know if Mack can comment on it.

MR. MACK: Quite candidly, I do not know what happens to the order except that it does not exist any more.

MR. PINTER: But we have to consider that in export we just depend on the good will of our customers abroad, otherwise we drive them away. It took us years to build up good will with our customers, and we have to just protect them in a way which will be possible to handle for them and for us. If we do not protect them, if we simply advise them, "I am sorry you got your import license and dollar exchange, but I cannot get my export license," that would put me out of business. The customers abroad look at every quotation you make, and they write us, "You offered us merchandise for \$15,000, but one item I can get from Chicago two cents cheaper. So you will have to reduce your price on this one item. Otherwise, I cannot give you the order." I wish to assure you that they are just as economical abroad with dollars as we are, or as Washington can be.

MEMBER: On that same line, in some countries isn't there a penalty for an import license not being used?

CHAIRMAN: There is in the Argentine.

MR. PINTER: That is in Latin America. But in Europe, the penalty is that they lose their license and lose their business, and they cannot make the sale. We are penalized, too.

MR. QUISENBERRY: I wonder if Washington will agree to pay the cost of the letters of credit that they turn down.

MEMBER: I would like to add something to my former remarks. This policy of export licenses has found it difficult in one country. That country is giving an import license to the lowest offer. If that happens with all the countries with which we are doing business, I ask you what will happen? It is very important.

MR. PINTER: I must say in regard to the lowest offer, we should be competitive, and I am not afraid of that angle at all. If it is workable, I am going out to sell my goods; and when I am right, I will sell them. And when I am not right, I will be taught a lesson. I would not be afraid of the angle of competition, but as George Quisenberry said, this country built its export trade on freedom and personal initiative, and fellows like Franklin Johnston and all the fellows who went out to sell American ability and American products and American services, have done so without government restrictions, and I think without government support. So if we do not get any support, at least let us have the restrictions that they must impose upon us in a form which keeps us going and which does not make it impossible for us to perform on the commercially sound basis.

MR. MACK: The only statement I can make in that respect is the statement made by Mr. Blaisdell the other day that they plan to conduct this operation in a goldfish bowl. Any time that anybody comes across any crooked work, both in your own interest and in the interest of your Government, you should bring those facts to the attention of the people in Washington.

MEMBER: We cannot prove the facts. The crook does not operate in a goldfish bowl.

MEMBER: Mr. Chairman, we are running out of statements and I think we should move on to that resolution.

MR. PINTER: I would recommend that the grave apprehension of the export trade in regard to consequences of new restrictions on the free flow of trade through established trade channels be registered. Furthermore, that as long as the Government insists that these restrictions are unavoidably necessary, close cooperation between Government and the export trade be maintained in order to synchronize export controls with legitimate needs of export trade; with the definite understanding that all controls will be relinquished and eliminated as soon as the present reasons for reinstating them will have disappeared.

MEMBER: Demand the reasons at the same time.

MR. PINTER: I will be glad to incorporate that. That the reasons be made known to us.

CHAIRMAN: Do you want to take a vote on the resolution as it stands?

MR. GRAY: Unless somebody adds to it.

MEMBER: I would request that definite price ceilings be established for export on commodities in short supply so that people do not go around guessing, and that this market will not be referred to the arbitrary decision of the licensing officers.

MEMBER: A variation of that: That the exporter be permitted a fair profit on his cost.

MR. QUISENBERRY: Of course this whole price thing on short supply items, I do not think, is workable at all because as long as there is no censorship of the mail, nobody can trace the undercover payments that are made. So again, I think the whole thing will cause more trouble than the good it does.

MR. PINTER: We complicate the whole thing by asking for more regulation. Let us ask for less regulation. As far as I am concerned, I have not been able to get any steel from any source during the last two years, although I have tried hard. So why should I worry about the ceiling if I cannot get it? I think the fewer regulations we request, the better off we are.

CHAIRMAN: I think this resolution, perhaps, at least will reflect the attitude of this audience. For the record, let us have a show of hands as to how many are in favor of this resolution as it was hastily drawn up this afternoon.

(Unanimous response.)

CHAIRMAN: How many agree with the attitude of the Export Managers Club that the Government is all right in what they have done and the way they have done it?

(No response.)

CHAIRMAN: Nobody seems to agree with that.

MR. GRAY: We quote for the record the following bulletin issued January 26, 1948 by the National Foreign Trade Council: "The National Foreign Trade Council views with utmost concern the position taken by the Office of International Trade of the Department of Commerce in connection with the export licensing procedure affecting goods in short supply presently subject to export licensing, and the announcement that, as of March 1st, shipments of all commodities to Europe will require individual export licenses. Unless immediate modification is made in these regulations, serious delays will result in production, shipment and use of goods urgently required for European recovery, and important existing commitments of American manufacturers and exporters cannot be fulfilled.

'The new licensing policy with its restrictions, uncertainties, arbitrary administrative procedure and interference with business operations does not follow the announced policy of the United States 'to foster a healthy and stable trade relationship which can contribute to a balanced and expanding world economy.'

"The overall requirement for individual export licenses on all shipments to Continental Europe and adjacent countries, including some Asiatic possessions, is not the method 'to insure a careful programming of the supply of essential goods to areas of greatest need' as indicated by the government

announcement. If special areas are a matter of concern, they should be specifically designated and the essential goods to be supplied should be specified.

"The American public has a right to know all the reasons for the reimposition of such drastic all-inclusive wartime regulations, and why all shipments to a wide area need be affected.

"The suddenly announced expansion of export control, providing for the licensing of commercial shipments to Europe of all commodities by individual validated licenses as of March 1st imposes a tremendous burden and expense upon American business and upon government. The intended additions to government personnel will be substantial. It is not reasonable to expect that several hundreds of experienced, capable government employees can be recruited to set up operations, or that American exporters will be able to make out the thousands of license applications, clear them with Washington, and have action taken before the announced effective date of March 1st.

"The requirement for individual licenses on all shipments to Europe, irrespective of the availability of the goods, makes it probable that many essential shipments will be delayed because of the uncertainties as to which licenses will be granted and the time lag in the granting of those approved. Furthermore, if this overall license policy is necessary for Europe, it is only natural to assume that if carried to its logical conclusion, it will have to be extended to cover goods destined for all world markets to prevent trans-shipment arrangements.

"All manufacturers and exporters of goods for Europe are placed in an uncertain position on shipments scheduled after March 1st until licenses can be obtained. Financial arrangements, including specific requirements under letters of credit, shipment dates, foreign import licenses, and other matters of vital concern to American exporters are placed in jeopardy by such a procedure.

"Many commodities, including those listed as urgently needed by countries expecting to participate in the European Recovery Program, must be scheduled for production following a normal pattern. If the production and shipment of such goods is delayed by licensing procedure or the uncertainties of bureaucratic decisions, they may not be available for Europe. Such commodities are in great demand and, unless permitted to flow without the interruption of licensing, will be diverted from destinations where urgently required, to domestic or

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other areas.

"The export licensing policy on goods in short supply need not set up new criteria in licensing procedure whereby the traditional, historical basis of licensing would be superseded and price would become a major consideration, nor do importing governments or their embassies need be consulted in regard to decisions as to what American exporters would receive approved licenses and other factors affecting the issuance of licenses.

"Everyone should be opposed to exorbitant gray and black market prices for export. However, export licensing authority, as it existed on articles in short supply, afforded ample opportunity, if properly exercised, to control shipments that would impose severe inflationary factors on the domestic economy or excessive drains on available foreign-held dollar resources. There is no necessity for the additional paper work, delays and serious interference with business which results from the new procedure.

"This export licensing procedure imposes serious delays and interferes greatly with the recognized practice of American private trade in dealing with customers abroad. The new procedure would require administrative decisions by employees of the Office of International Trade to determine 'the lowest price contracts for comparable material under comparable conditions of supply.' Employees of a government department are not in a position to judge all of the various factors affecting the individual contracts of American private exporters with their customers. American exporters should be in a position to conduct their business without such interference.

"As American exporters must comply with the import license regulations of foreign governments, there is no need to inject a further check and separate consultation with them. There is no reason why, by action of an American government official, the opinions of foreign governments should be injected into the business arrangements of American exporters after foreign import licenses have been issued.

"While the Office of International Trade indicates that it is its intention to protect private foreign trade channels and to reduce the operations of foreign government purchasing missions, the new licensing procedure for goods in short supply on the Positive List would impose restrictions and regulations on American business which could have an opposite effect.

"The National Foreign Trade Council urges that this whole

matter be reconsidered by the administrative officials of government. Pending thorough consultation with industry, the licensing procedure in effect prior to December 31, 1947 for goods in short supply on the Positive List should be reinstated, and the announcement regarding the overall licensing of shipments to Europe should be rescinded."

COUNTRY QUESTIONS

ROUND TABLE CONFERENCE

ARGENTINA

FCIB 2-4-48

CHAIRMAN: QUESTION -- "I have not seen much commentary recently in the press regarding the present status of the so-called Argentine Insurance Law. Can you enlighten me as to its present status, and how should exporters proceed, in view of its possible implications? What quotation policies do you recommend?"

Who wants to comment on the present status of the law?

BANKER: First of Boston put out a circular on the subject on January 22nd.

MEMBER: I understand that the President of the Argentine Insurance Institute resigned, so that there may be a question of policy involved.

CHAIRMAN: Does anybody want to comment on your present quotation policies?

MEMBER: I just want to comment that previously CIF sales were omitted, but I saw something recently to the effect that CIF sales will hereafter be included within the operation of the call.

MR. MACK: On November 19, 1947, the Argentine Government issued regulations to implement the Insurance Decree Law passed in June, 1947. Articles 44 through 52, taken from the November 19th implementing regulations, appear to relate to Article 14 of the June 1947 Law regarding marine insurance. Article 14 requires that the marine insurance policy be taken out in an Argentine company where the risk of transportation rests on the Argentine exporter or importer, as the case may be. Little light seems to have been shed thus far on the actual practice to be adopted by way of implementation of Article 14 of the June 1947 Law.

There has been no clarification to the problem as to the circumstances under which the risk of transportation will be treated as resting on the Argentine exporter.

Article 46 requires that Argentine Consuls and Vice Consuls shall legalize only those consular invoices which list separately cost of merchandise, insurance, freight, and other charges. We do not know the extent to which the Argentine authorities are applying this marine insurance requirement at the present time. We are informed that trade circles believe that the authorities will interpret CIF shipments from this country to Argentina as placing the risk of transportation on the Argentine importer, thereby requiring that the insurance be placed in an Argentine company.

CHAIRMAN: I think everyone is waiting for further clarification from the Argentine authorities.

MEMBER: Meanwhile, may we find out how many are shipping on FOB basis?

CHAIRMAN: Let us take a show of hands.  
(10.)

CHAIRMAN: How many are shipping on CIF Basis.  
(None.)

MEMBER: All those FOB are placing the insurance here?

PANEL MEMBER: No.

CHAIRMAN: One yes.

MEMBER: We have seen some insurance go through with the insurance placed here.

MEMBER: We had a comment from our branch down there. They interviewed someone in the Insurance Institute, and were informed that their interpretation was that any shipment made on other than a consignment basis, the risk of transportation was for the account of the Argentine importer and therefore had to be covered by an Argentine insurance company.

MEMBER: Perhaps these gentlemen do not know a similar law is in effect in the Netherlands, and that under the import and exchange regulations of practically every country in Europe, limitations are placed upon the importations in which the insurance is covered abroad.

PANEL MEMBER: I think you have to point out quite a bit of difference in these two things. The fact that you just said is correct. But there is very little business going to Europe except on a letter of credit basis or some other

Argentina on time credit or something like that. So, where you are already paid, you do not have to worry about the insurance. Where you still have a part of it, that you have not gotten your money, you have to worry about your insurance, and I am quite sure, I have heard this thing discussed at a number of meetings, I would think that a great majority of the export shipments going from the United States are being sold to Argentina on an FOB basis, with the exporter, our manufacturer, placing the insurance here, and that while a good many are now going down with Argentine insurance, I do not think they represent anything like a majority as yet.

MEMBER: I think if we are protesting at what is going on in Argentina, we should protest at what is going on elsewhere, because sooner or later we will get to the basis as Mr. Pinter pointed out of shipping to these other countries on credit terms, and if we are going to put up a fight against these restrictions, let us put it up for all restrictions of that sort and not just limit it to the one country.

ROUND TABLE CONFERENCE    AUSTRALIA & NEW ZEALAND    FCIB 2-4-48

CHAIRMAN: QUESTION -- "All 1947 import permits for merchandise from the United States had to be presented for revalidation in October of last year. We have encountered several cases where the revalidation was refused even though the goods were actually in the process of manufacture here. What steps can United States exporters take to protect themselves in a case of this kind?"

Does anybody want to comment?

MEMBER: Letter of credit terms to these questions.

PANEL MEMBER: Could I ask you a question? You come from a wool center. Now we have reduced the duty on Australian wool, and other dominion wool and high-grade clothing wool by 25 per cent. Is it having any effect on the market, and is it likely to make any more dollars available this year or next year to Australia?

CHAIRMAN: We have not seen an indication of it yet, because the prices on the auction sales that have been held recently were very high and the Continent has been paying higher prices than our American importers. As a matter of fact, with the recent change in the French rate, the feeling seemed to be that some of those French mills would probably be paying even higher prices than a lot of the other European consumers.

So far, the Continent has been bidding higher than the American importers for the Australian wool.

ROUND TABLE CONFERENCE

BELGIUM

FCIB 2-4-48

CHAIRMAN: QUESTION -- "I have just received an interesting order from a company of standing in Belgium. The order states that a confirmed irrevocable letter of credit will be opened in our favor upon acceptance of the order. To my surprise, I am told that the credit, in accordance with Belgian exchange control regulations, can only be opened for a maximum period of 30 days. First, I should like to know if this is true. Second, if so, what is the procedure being followed by U. S. exporters in scheduling shipments under letters of credit so as to get under the wire? Third, what has been the experience of U. S. exporters in shipping to Belgium under these arrangements?"

Anybody want to comment on how they are handling the Belgian orders?

PANEL MEMBER: It is not true, according to my information.

CHAIRMAN: How many have been able to get their shipments off to Belgium satisfactorily under these requirements? May we have a show of hands on that?

(6)

CHAIRMAN: How many have had any difficulty because of these Belgian requirements?

(1)

PANEL MEMBER: Belgium was a very good market, but now since the 1st of January, there are no import restrictions there, and I believe all shipments under \$500 can safely be made, assuming that the customer is automatically getting his exchange. But all shipments of a value over \$500, it should be made certain by the exporter that the customer gets his import license and dollar exchange allocated.

MEMBER: That is correct.

PANEL MEMBER: Because I believe there is now an increasing difficulty for certain goods to be imported, and it would be unwise to ship without knowing that the customer has his dollars.

CHAIRMAN: Do you want to comment?

BANKER: I would like to say that before I left the bank I

locked up letters of credit and very few letters of credit show date of expiration of only 30 days. A great majority show 60 and 90, which means March and April deliveries.

BANKER: I did the same thing in our bank and every credit was 30 days.

BANKER: Most of ours were 60, with an occasional 90-day letter.

PANEL MEMBER: I think the customers tried to expedite our shipments by giving us shorter terms and I welcome that if I can comply with it because it gives us a chance to make a faster turn-over.

CHAIRMAN: I know that in our case we have seen credits for 60 and 90 days. They are not confined to 30 days.

MEMBER: I have seen a number of credits where they give the shipper the option of an additional 30 days extension upon request.

CHAIRMAN: That is a way of getting it to 60.

ROUND TABLE CONFERENCE

BOLIVIA

FCIB 2-4-48

CHAIRMAN: QUESTION -- "Do Bolivian import licenses offer prompt allotment of dollars for payment against sight draft on arrival of merchandise?"

How many ship to Bolivia?  
(10 or 15.)

CHAIRMAN: Who wants to answer the question?

MEMBER: I would say no.

MEMBER: We are only shipping on letter of credit terms.

MEMBER: It does not guarantee the dollar exchange.

ROUND TABLE CONFERENCE

BRAZIL

FCIB 2-4-48

CHAIRMAN: QUESTION -- "We would like to have the opinion of members attending the next meeting, as to what will be the effect of the regulation of the Superintendency of Currency and Credit requiring banks in Brazil dealing in foreign exchange, to sell 75% of all exchange acquired to the Banco do Brazil. Will this in any manner improve the availability

of dollar exchange for sight draft shipments of items in the preferred category?

"2. What is the current collection experience of other members in Brazil? Please ask for terms, products and experience?

"3. We are selling a customer in Brazil terms of sight draft. They have requested terms of 15 day sight draft giving the explanation that it enables us to receive payment quicker than by ordinary S/D. This is due to the fact that applicants awaiting permission from bank to make deposit in local currency against the S/D, it takes 30-45 days, plus usual period before exchange can be closed. On the other hand upon receipt of so-man-day S/D, the bank presents immediately for acceptance and deposit. Is this so?"

BANKER: In answer to the first question, it will slow up collections all the way around.

BANKER: I think it might be important to point out that the Banco do Brazil is highly unionized and they do not pay as much attention as the other banks are trying to.

MEMBER: The answer there is very obvious, that the greater part of all exchange created is going into the Bank of Brazil. As a matter of fact, we have already had three or four letters from outside banks there saying that they were going to have very little exchange by reason of this new regulation, and two of them indicated to us that perhaps it might be advisable not to send them further bills. I would like to know what the opinion of someone here is who knows that situation as to the reasons for this. Is it because the Banco do Brazil wants a greater share of the dollars to allocate for purposes other than commercial operations, or is it that there has been a concentration of bills through them so that they need more dollars to pay them, or what is the reason?

CHAIRMAN: Speaking for our own bank, we have not seen the answer to that yet. It has had three effects, however. One is it has slowed up the liquidation of collections because there are less dollars available. Two, it has made the opening of import credits in Brazil much more difficult, again because of the scarcity of dollars; and three, it has made it more difficult to make remittances either by check or by draft. But we have not had the answer from Rio as to what is back of the whole move, and what they will do with this 75%.

MEMBER: We understand that the Bank of Brazil had the greatest backlog of outstanding checks of all the banks in Brazil, and that was created by the fact that any seller of dollar exchange had to take 20 per cent of the value of the draft in Brazilian Treasury Bills were a three months' maturity. The Bank of Brazil would not discount that. They are not allowed to do it by law, whereas other commercial banks could.

During the 70-30 era, where the purchasing bank could retain 70 per cent of the exchange, of course they were very anxious to take on these Treasury Bills. They would be willing to discount them. Now, since they can retain only 25 per cent, there is no longer any inducement on their part. On the other hand, exporters to sell their drafts to the Banco do Brazil still cannot get those Treasury Bills discounted, and there is a reluctance on their part to sell them there. So there is a stalemate. Something has to burst at the seam somewhere. Just how soon that will be, nobody seems to know. Of course the immediate reaction, naturally, is to send more dollar exchange to the Banco do Brazil where exporters are willing to take 20 per cent in Treasury Bills and have that much capital tied up that way for three months.

MEMBER: I wondered if there had been any indication that this policy of Banco do Brazil might be intended to build up a backlog of dollar exchange in anticipation of licensing so that if and when this licensing is made effective by law, they would have dollar exchange available for any import licenses that are granted.

MEMBER: In that respect and in answer to this question: "Will this in any manner improve the availability of dollar exchange for sight draft shipments of items in the preferred category," there won't be any more dollar exchange, and our understanding is that the Banco do Brazil's backlog of unpaid collections was somewhere in the neighborhood of \$30,000,000 which means a lot, before they begin to build up anything covering the future situation.

PANEL MEMBER: Mr. Chairman, could you find out what the experience of present members is in regard to collections against sight drafts in Brazil now, because I am rather intrigued by the banker's opinion on that question. I thought that the concentration of the larger amount of dollars in the hands of the Banco do Brazil should give us a quicker return for our money on sight drafts, because I believe a lot of dollars that were paid to other banks did not find the way back to us. But the Banco do Brazil may have a larger amount of dollars available now, and I find that collections

on sight draft of Brazil, have rather improved in the last five or six weeks.

CHAIRMAN: I think we can take a quick census on that. How many are shipping to Brazil?  
(A good majority of the members.)

CHAIRMAN: What are your delays on sight draft terms?

MEMBER: Six months.

CHAIRMAN: How many are shorter than that?

MEMBER: I would like to qualify the question on first or fourth categories.

CHAIRMAN: That is a good point. First categories; what is the delay?  
(4 months; 2 to 4 months; 4 to 5 months; 3 to 4 months.)

CHAIRMAN: Any improvement in the last few weeks? Has anybody seen any improvement?

MEMBER: Decline.

CHAIRMAN: How about fourth category shipments? What are the average delays running now?

MEMBER: Six months.

MEMBER: Four to five months.

MEMBER: Four to five months; others very prompt, and others four months. And some are longer.

MEMBER: Notwithstanding the experience of shippers here, I think it might be pointed out that the last report of the Federal Reserve Bank of the 12 large city banks show that 62 per cent of all Brazilian items have paid within a ten weeks period.

MEMBER: That was before the new decree went through.

MEMBER: Announcement was made recently that Argentina insisted on being paid in American dollars for wheat sales, which may account in part for this concentration.

CHAIRMAN: That could account for it to some extent.

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MEMBER: There are consignees who make the excuse that they cannot get the dollars from the bank and take advantage of the fact. We made two shipments simultaneously on a sight draft and one was paid in 15 or 20 days and the following one we had to threaten a protest and finally after 45 days we received a payment.

We have had that experience in other countries, too.

MEMBER: Would the bankers here advise the exporters to instruct them to put the collection through the Banco do Brazil?

BANKER: We had a letter from one of the large corporations in Brazil, and their own opinion is whereas the Banco do Brazil might have more exchange and other banks are up against it, nevertheless they would recommend that drafts be scattered amongst the banks.

MEMBER: Our agent was up in Brazil and he said by no means send any collections through the Banco do Brazil. He is a native Brazilian. They won't follow any instructions and won't protest when you tell them to. But other banks will.

CHAIRMAN: I have another question on Brazil which is not on the agenda. "We are selling a customer in Brazil terms of sight draft. They have requested terms of 15 day sight draft giving the explanation that it enables us to receive payment quicker than by ordinary S/D. This is due to the fact that applicants awaiting permission from bank to make deposit in local currency against the S/D, it takes 30-45 days, plus usual period before exchange can be closed. On the other hand upon receipt of so-many-day S/D, the bank presents immediately for acceptance and deposit. Is this so?"

Who knows that collection procedure well enough to comment upon it?

MEMBER: My understanding is that they cannot apply for exchange until maturity.

MEMBER: They are not required to put up a deposit until maturity.

MEMBER: I have a further question on Brazil, if I may. We are becoming very much concerned over the situation in Brazil. As this meeting has shown, there is a great deal of uncertainty. What does this 75-25 mean and also we have thousands and thousands of dollars deposited in cruzeros to

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our order. What is the future course of the cruzeiro going to be? Is it apt to be devalued? There is also underlying the whole thing this question: What is going to be the future course of the coffee market? Coffee, I understand, is not moving down there now. I mention all this because our policy for the time being is to sit tight and to lay off Brazil except in a few urgent cases. I wonder if anyone is feeling the way we are, and if anyone is pulling in their horns.

CHAIRMAN: How many are curtailing shipments to Brazil right now, just because of general conditions?

MEMBER: Fourth category only.

CHAIRMAN: How many first categories are shortening up?  
(6 first categories.)

MEMBER: I would like to say that I don't think there is any cause for alarm because for instance with Argentina for years the exporters have sold their dollars at the official rate of exchange, which has been very much against their own interests. This situation in Brazil should not have any ill effects. The exchange still remains in the country.

CHAIRMAN: It does not affect the total overall dollar picture but it does affect the allocation of those dollars. It is the question of how they can be doled out.

MEMBER: It does have some effect because it seems to me one reason for the 75-25 ruling is that the Brazilian Government itself has a considerable backlog of exchange. The Brazilian Government, like all other governments, is stockpiling. You recall in the past of the 30 per cent bought by the Banco do Brazil, a certain percentage was for the use of the government.

It is my feeling that of the 75 per cent even a larger portion will be used by the Government, which will mean less and less dollars for the normal collection.

CHAIRMAN: I have a question on Costa Rica, not on our agenda.

ROUND TABLE CONFERENCE

COSTA RICA

FCIB 2-4-48

CHAIRMAN: QUESTION -- We have an outstanding sight draft for \$2,600.00 which we anticipate will require from 12 to 18 months to collect. This is not a credit but an exchange problem. The Banco Nacional de Costa Rica has just advised

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that after the Board has given the exchange number, close to a year will be necessary to secure dollar payments. Is this a common experience? How soon do Bureau members collect now-a-days? What is the forecast?"

What is your experience in collecting down there?

MEMBER: It depends on the merchandise.

MEMBER: Six to eight months.

MEMBER: Twelve to fourteen months.

CHAIRMAN: Does anybody want to make a forecast as to the Costa Rican dollar exchange position?

MEMBER: Awful.

MEMBER: Get out of Costa Rica.

MEMBER: No improvement.

ROUND TABLE CONFERENCE

CUBA

FCIB 2-4-48

CHAIRMAN: QUESTION -- "A decree was passed and put into effect on December 18th by the Cuban Government making it extremely difficult for foreign nationals to fire their sales agents or distributors in Cuba. Certain 'just reasons' for firing are specified. The State Department is making protests. What is the opinion as to the possibility of the Cuban Government relenting, and how do members feel about this decree?"

What is the opinion of the members as to the relenting of the Cuban Government? It has been protested by the Department of State and by other groups; I know.

MEMBER: I have discussed it with a number of Cuban distributors and they expect a modification of the law.

CHAIRMAN: Any other comment?  
(No response.)

ROUND TABLE CONFERENCE

ECUADOR

FCIB 2-4-48

CHAIRMAN: I see that there is no question on England. I am rather surprised because the situation is very tough. I read where a man had triplets and the Government wanted him to keep two and export one, or export two and keep one, rather.

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QUESTION -- "I did not raise the question at last month's Round Table relative to Letters of Guaranty, but the answers thereto have left me somewhat befuddled. I always have received payment in New York under these Letters of Guaranty, and therefore, do not understand the statement that 'a Letter of Credit will be paid in New York and a Letter of Guaranty will be paid in Ecuador'. Now I'll ask a question -- What risk am I taking when I accept such Letters of Guaranty?"

BANKER: To answer that question categorically, the letter of guaranty this party has in mind is a guaranty given by a bank in Ecuador and it is as good as a bank is. That is about all. The draft in that case would be payable in Ecuador by that bank, giving the guaranty.

BANKER: I take issue on that. I think you have got that confused. A letter of guaranty is given by the commercial banks in Ecuador because of the fact that they cannot issue letters of credit. The letter of credit is centralized with the Banca de Central of Ecuador. So that the banks issue the letters of guaranty instead. What happens is that two drafts are drawn. One draft is drawn on the consignee. The other draft is drawn on the New York bank advising or confirming the letter of guaranty. And so long as you have a New York bank confirming the letter of guaranty, you get paid in New York as a New York bank obligation. Otherwise, it is the same as an unconfirmed letter of credit.

PREVIOUS BANKER: Actually that is what I said here. The letter of guaranty is issued by a commercial bank in Ecuador.

MEMBER: But you are paid up here in New York.

MEMBER: The bank here can negotiate it.

CHAIRMAN: Doesn't the responsibility continue until the bank in Ecuador finally pays the draft?

MEMBER: If you get paid right here, you do not have to worry about it.

MEMBER: That is one step further than an ordinary bank guaranty. It is an authority to purchase. When the New York bank confirms, you do not have to worry about it.

MEMBER: But this letter of guaranty does not speak of confirmation, and ordinarily they are not confirmed by a New York bank.

MEMBER: Most of ours are.

MEMBER: You take the good name of the bank in Ecuador, and it can be drawn either on them or their customer in Ecuador for account of the guaranty bank.

CHAIRMAN: Al, didn't you write a thesis on letters of guaranty once?

MEMBER: My comment on it is that they are both right, depending on what they are talking about.

MEMBER: Very diplomatic.

MEMBER: If you merely get a letter of guaranty from an Ecuadorian bank, without a confirmation from the New York bank, in the event of non-payment you have the privilege of going down to Ecuador and suing the bank. That is about what it amounts to.

CHAIRMAN: I think you will find most of them are issued without a conformation and you are dealing with the responsibility of the local bank in Ecuador. And your liability continues until that bank makes the final payment.

MR. GRAY: We quote for the record a letter received from the New York Agency of the Bank of London & South America, Ltd.: "We would advise that there seems to be some confusion with respect to the value to your members of Irrevocable Letters of Guarantee emanating from Ecuador. The information given in the minutes of the Round Table Conference of the 7th January 1948 appears to be misleading. On behalf of our Guayaquil Branch, we issue a considerable volume of Irrevocable Letters of Guarantee, all of which are payable in New York in U. S. Dollars against documents as required by the terms of the respective Guarantees.

"It is, therefore, evident that in so far as the American exporter is concerned such Irrevocable Letters of Guarantee serve precisely the same function as would Irrevocable Letters of Credit, at least in so far as this bank is concerned."

ROUND TABLE CONFERENCE      NICARAGUA

FCIB 2-4-48

CHAIRMAN: QUESTION -- "In past meetings, the problem of shipping to Nicaragua on a 90-day basis was discussed, and it was learned that many of the members contemplated shipping under these terms. We should like to know what their experience has been as far as collections are concerned for their 90-day draft shipments. More than the regular credit problems involved, we should like some idea of the cooperation afforded by Nicaraguan collecting banks in converting

local currency after payment has been made by importers against 90-day drafts."

Anybody wish to comment on their experiences?

MEMBER: I think it is still too early because the decree only went into effect around the beginning of December or late November.

CHAIRMAN: How many of the group that are shipping are complying with this 90-day draft business?

(Show of hands.)

CHAIRMAN: Just about the same amount.

MEMBER: I would like to make a comment. We find the leading importers in Nicaragua have dollar accounts in the United States that paid us in advance, asked us to draw against them, and when the draft is paid, we merely remit the funds into their American dollar account.

CHAIRMAN: That is being done, I think, with a good many countries today. I have another question on Nicaragua not on the record. It came in this morning.

"We are only able to get import-exchange permits on the basis of 90-120 days, with draft attached. Is this long wait out of line with the current experience of others? What is the forecast?"

Apparently from the show of hands that we just had, it is not. Does anyone want to prognosticate the outlook in Nicaragua?

(No comment.)

ROUND TABLE CONFERENCE      PERU

FCIB 2-4-48

CHAIRMAN: QUESTION -- "We have noticed that many of our drafts on Peru are outstanding for longer periods. Will you comment briefly on any factors that are involved, including the exchange situation and the internal credit situation, and give your opinion on the prospects for improvement?"

"In the middle of 1947 Peru tried an experiment of letting in non-essential merchandise without an import permit provided that the importer agreed to pay for it with his own funds in the open market. This was not a success and was canceled after about three months. All imports now require import

permits. However, there is still a quantity of merchandise in the Custom House imported under the temporary arrangement where import permits are unlikely to be granted. Are United States exporters with goods in this category allowing them to remain there in the hope that they will eventually be paid for with free exchange or are they having them returned to this country?"

MEMBER: I have some trade figures. Foreign trade figures for the period of January to September, 1947 show an unfavorable balance of 180,000,000 Soles as compared with a favorable balance of 162,000,000 Soles for the same period of 1946. However, at the end of November, gold in the country and gold in foreign currency balance abroad were reported as 154,000,000 soles as compared with 141,000,000 for a similar period in 1946. But I do not have a breakdown as far dollars and other currencies are concerned. There may be a lot of sterling there.

CHAIRMAN: As to the second part of this question dealing with the experiment of letting in non-essential merchandise without an import permit.

What are our exporters doing who are caught in that trap? Do they expect to be paid or are they having the goods returned and trans-shipped elsewhere?

How many have been caught in that experience of shipping down during the period when funds could be bought in the open market to pay for such goods?

(4)

CHAIRMAN: Are you hoping to re-exchange?

MEMBER: There is no re-exchange. Where we have no import license, we have to take the books back.

MEMBER: 20 per cent of our goods are still open.

MEMBER: The way our shipments were made last summer, and I expect there will be a free exchange.

MEMBER: As I understand, you can only get a free exchange in the free market for that type of goods and a maximum has been set of 10 soles to the dollar. The rate is still 14, or above 14. So you have to wait until the free market goes down to 10 or below.

MEMBER: I would like to find out if anybody received

import permits recently against such goods?

CHAIRMAN: Any recent reports issued against that?

(No response.)

ROUND TABLE QUESTION

SWEDEN

FCIB 2-4-48

CHAIRMAN: QUESTION -- "During the last six months Sweden has removed a great many articles from the free list of articles to be imported without a license. A number of United States exporters have goods actually in Sweden shipped six months or more ago against which import licenses are now being refused. What is the best way for them to protect their interests?"

What is the best way to protect your interests? Do you have to bring your goods back?

PANEL MEMBER: No. Six months ago the Swedish import regulations were not yet enforced and if we shipped the goods prior to that date in good faith, there is no reason for non-institute on payment. I believe there is a chance of getting payment from Sweden. I do not think they would go back on their obligations. All you have to do is to go after it, and you may even request the American Consul General in Stockholm to intervene. That may help.

ROUND TABLE CONFERENCE

TRINIDAD

FCIB 2-4-48

CHAIRMAN; QUESTION -- "Outstanding licenses have been cancelled; we are told of the possibility of reinstatement, if we can prove that the merchandise cannot be sold elsewhere! What is the exchange experience recently -- are others having better luck than this?"

How many are shipping to Trinidad?

(No response.)

CHAIRMAN: Does anybody want to comment on this licensing situation and the exchange risk there?

MEMBER: Did you say sold or bought elsewhere?

CHAIRMAN: Cannot be sold elsewhere.

MEMBER: Whom do they have to prove that to?

CHAIRMAN: Apparently to whoever controls the licenses in Trinidad.

MEMBER: The proper authorities.

CHAIRMAN: Any comment on that?

MEMBER: I think that is all part of the British Empire set-up, when convertibility went overboard. I would suggest the American Consul down there, asking him to intervene.

ROUND TABLE CONFERENCE

TURKEY

FCIB 2-4-48

CHAIRMAN: QUESTION -- "For some time Turkish customers tried to make their American suppliers change from Letter of Credit payment terms to Sight Drafts, stating that dollar exchange was easier available at Sight Draft Terms. So as to test these statements, we shipped to some preferred accounts on SD/DA terms. Some of these drafts are now over three months old without having been paid as yet. What is the experience of other members in this connection?"

How many are shipping to Turkey?

(10)

CHAIRMAN: How many selling on Sight Draft or have sold on Sight Draft?

(Majority of those present.)

CHAIRMAN: Does anybody want to comment on this situation?

MEMBER: I have a good deal of experience in Turkey and I would not sell Turkey on any basis other than confirmed irrevocable letter of credit, not because of the business houses, but because of the integrity of the government. Some remittances take six weeks and some three to four months.

MEMBER: We are shipping Sight Draft, and I am glad to say we are getting remittances back in 30 days' time.

MEMBER: I think this particular situation is a question of the Turkish importer or the agent himself. There has been a considerable abuse in the acting upon import permits which have been allocated by the Turkish Government, and the importer would take the order from the New York exporter and order twice the quantity, and then he would apply the permit to one shipment; and then he would apply for a second permit against the second shipment. In consequence, the Turkish Government made a new ruling over there that if the import permits were

dated later than the bill of lading, they would not permit entrance of the goods, and I think you will find a lot of merchandise is accumulating over there due to that fact. And from the commercial Turkish accounts downtown, I understand that the only alternate is to have the goods returned to the United States because it will never be paid for.

CHAIRMAN: Any other comments?

(No response.)

ROUND TABLE CONFERENCE

URUGUAY

FCIB 2-4-48

CHAIRMAN: QUESTION -- "Last July, Uruguay decreed that prior exchange permits must be obtained before a sales contract is closed, and while no distinction in categories of imports was specified, we are told that preference is shown in granting permits for raw material, iron, machinery, agricultural implements, tools and foodstuffs. Has operation of this decree: (1) Had any effect on the time required for the collection of drafts, covering both the so-called essentials, listed above, and merchandise not so essential? (2) Aided in correcting Uruguay's trade position which, I believe, was unfavorable for some months in 1947?"

Who wants to comment on the first part of the question?

MEMBER: It took us over six months to collect on shipments pertaining to the so-called third category, but we notice that on shipments made in December or even early January, we have already been paid.

PANEL MEMBER: The Uruguayan people have made the statement that it has taken them about six months to get this machinery operating and from now on they think it will operate better. That is again a statement that we have got to watch. Maybe it is true and maybe it is not.

MEMBER: I noticed a statement in the New York Times Sunday where the Uruguayan Government objected to being called "slow pay", but as a matter of fact, it takes you nine months to get your money out of Uruguay, and perhaps six months from now it will be cleaned up and on a prompt paying basis, but for the time being it seems to me it is a letter of credit market until they have proved themselves better able to pay.

MEMBER: First 11 months in 1947 there was an unfavorable trade balance. Again, of about \$76,000,000. It was estimated recently that between \$8,000,000 and \$10,000,000 of outstanding collections, primarily of 2nd and 3rd category merchandise.

ROUND TABLE CONFERENCE ANNOUNCEMENT

FCIB 2-4-48

Mr. Gray announced that the next Round Table Conference would be held at two p.m., Wednesday, March 3rd, 1948, again at the Pennsylvania Hotel in New York. He urged all present to attend, invited questions, and then called upon the bankers to announce themselves.

<u>ROUND TABLE CONFERENCE</u>	<u>BANKS REPRESENTED</u>	<u>FCIB 2-4-48</u>
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Chemical Bank & Trust Company, Bankers Trust Company, Philadelphia National Bank, Marine Midland, National City Bank, Chase National Bank, Bank of Manhattan, First National Bank of Boston, Central Hanover Bank, New York Trust Company, Pennsylvania Exchange Bank, Irving Trust Company.

GENERAL QUESTIONS

CHAIRMAN: Mr. Joseph A. Mack, Acting Director of the New York Regional Office of the Department of Commerce is present with us to discuss current developments in Export and Import Controls and related functions of the Department of Commerce.

<u>ROUND TABLE CONFERENCE</u>	<u>W.T.D. REPORTS</u>	<u>FCIB 2-4-48</u>
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CHAIRMAN: QUESTION: "The New York office of the Department of Commerce solicits applications for World Trade Directory Reports. It is stated that they are available at \$1 each, no reference being made to terms for payment and that requests for reports should be made to an individual, whose telephone number only is given. It does not prohibit requests sent by mail. Why does the Department of Commerce require advance remittance of \$1 for a World Trade Directory Report without indicating whether they have the report and after remittance is sent advise that the report is not available?"

MR. MACK: Government accounting procedures do not permit of credit sales and payment for reimbursable services must be made in advance. Users of the World Trade Directory services may at any time inquire as to the immediate availability of any report in which they are interested, and in so doing need not order the report. In following this suggestion, no payment need be made until the report is actually ordered.

MEMBER: I would like to make a suggestion, Mr. Mack, to make it possible for the manufacturers to buy in advance a set of or a book of coupons of one dollar a piece. It saves us the paper work.

MR. MACK: That is a very good question, and quite candidly,

we had it for a number of years and found it worked very well. But the general accounting office did not agree with our procedure. As I say we fully agree with the difficulties of manufacturers and know what others are up against in putting the vouchers through. We would like very much to return to that coupon system, if it were possible under the law to do it, but we cannot do it.

MEMBER: How about postage stamps?

MR. MACK: We cannot accept postage stamps. We have no way of getting rid of them.

ROUND TABLE CONFERENCE    LETTERS OF CREDIT    FCIB 2-4-48  
                                  TIME ELEMENT

CHAIRMAN: QUESTION -"Are members experiencing difficulty in obtaining letters of credit from Sweden, Brazil, Colombia, India, China, Costa Rica, and Ecuador to allow for production of special material and collect with a reasonable margin of time for unforeseen delays?"

There are a number of countries mentioned here. I will take them rapidly one by one.

How many are having difficulty getting letters of credit from Sweden of sufficient maturity to give you a chance to process and ship your merchandise? (1)

How many are getting letters of credit from Brazil and having trouble with those credits? (3)

MEMBER: I should say we are having difficulty in getting credits. Period.

CHAIRMAN: In Brazil it is difficult to open letters of credit?

MEMBER: They kick about it, but they open them.

MEMBER: You cannot get a letter of credit for fourth category, and in the first category it might take six weeks or two months before you can get it.

CHAIRMAN: How about Columbia? Who is getting credits from there, and is there any difficulty on the maturity dates? (None).

India? Any credits from India?

MEMBER: Tremendous delay in getting letter of credit opened, but once it is opened, it is good for two to three months.

through?

MEMBER: Yes, short maturity, 60 days.

CHAIRMAN: Anybody getting Costa Rica credits? (No).

Ecuador? Those are all letters of guarantee which were discussed.

MEMBER: Chile is not mentioned. I would like to inquire if anybody is getting letters of credit out of Chile? (2)

SAME MEMBER: What products?

(Electrical goods; metals.)

PANEL MEMBER: While we are on Chile, let us find out how many have sight draftspending which are overdue now?  
(A large number).

MEMBER: Do you still send on sight draft to Chile? (No).

BANKER: Could we have a question on how many are continuing to ship to Chile on sight draft terms?

CHAIRMAN: Nobody.

PANEL MEMBER: I would suggest we send copies of the minutes to the Chilean Consul and the Department of Commerce, so that they know what we think about it. If they cannot get any merchandise, maybe they will speed up the payment of their drafts.

MEMBER: I would like to comment on that that while the people here are credit conscious and do not ship, there are many exporters that do ship.

PANEL MEMBER: But it may help if the consul knows how we feel about it.

PANEL MEMBER: I have a general comment on Chile, Mr. Chairman. Under the Marshal Plan, the thing they talk about, and the thing that will take up the bigger part of the payments is what they call the 3 F's -- food, fuel and fertilizer, and I was told within two weeks by a high official of the Department of Agriculture, that they would purchase all the nitrates from Chile that they would get, much of them paid for direct by us in dollars and some of it or much of it paid by the European governments involved. So that there is some possibility that in what Washington calls offshore purchases, offshore in the Western Hemisphere, a considerable amount of the dollars will go

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to become operative just as well as I can. I do know they will buy nitrates, synthetic nitrates from Canada, and they say that a good part of the fertilizer to be shipped to Europe under the Marshall Plan will not be purchased in the United States.

PANEL MEMBER: In the meantime don't ship to Chile on sight draft.

ROUND TABLE CONFERENCE      QUOTAS

FCIB 2-4-48

CHAIRMAN: QUESTION -- "Would you comment as to the advisability and practicability of setting up liability limits by countries? By liability limit I mean setting a maximum figure as to the total amount of collections which may be outstanding at any one time for a certain country."

I think that is a good question for this meeting here on credit quotas, dealing with the advisability and practicability of setting up limits by countries, as well as by customers. Who wants to comment on that?

How many firms here really set up an overall quota for a country as to what you will have at risk there? (About 5).

How many of these five or six stick to that quota and don't go over? (2).

BANKER: How do they set up that quota?

MEMBER: Based on the yearly sales turnover of the previous year.

MR. GRAY: Any other method?

MEMBER: I set up a quota by customer. I don't want too much for any one customer. I don't set it up on a country basis, except to this extent: That if I know a country is no good, I just require letter of credit.

CHAIRMAN: Does anybody want to comment on this business of really setting a quota limit for a country, so that you know what your overall risk is?

MEMBER: I think it is a desirable thing to do. We have been doing it in those countries where we ship on draft terms. We have in mind that as far as we want to go in certain countries, to a certain figure. If you have \$200,000 deposited to your order in Brazil or Argentina, maybe that is as far as you want to go in the way of risk there, in view of possible currency

changes. That is the basis on which we work.

PANEL MEMBER: In my opinion, it does not work. This is a very theoretical idea which sounds beautiful, but it does not work. I don't know any bad country. I only know bad customers. If you have a good customer in a bad country, he will be able to fulfill his obligations. If you have three bad customers in a good country, you won't see your money. So that quota system does not work. I tried it and I got in some orders. They looked so nice to me. I said, "The hell with the quota" and I shipped, and I broke my own theories?

MEMBER: I don't agree. You certainly must differentiate. You cannot say that China is on the same basis with Panama. You do have to differentiate on the basis of countries as well as customers.

PANEL MEMBER: If new regulations come in, what would you say then, is it a good country or a bad country? Conditions change.

MEMBER: I know that we set up a quota and stick to it, and that operates very well. The quota was set up more or less arbitrarily, in percentage to our overall amount of business that we want to have outstanding in a particular country at a particular time.

CHAIRMAN: I will comment on this. The Chairman is not supposed to, but I will. Back in the early thirties when the Argentine had to block its exchange and Brazil had to, and subsequently Spain, there were a lot of exporters who found all of a sudden that a big part of their working capacity was in those countries, and they had to work it out over a period of time. I think it is quite true that a lot of our export manufacturers, who perhaps are dealing in pretty substantial sums, do set up a quota for their different markets, so that they will not have more than so many thousands of dollars at risk in any one country, and, of course, they evaluate that on the economy of the country, what the total sales are, and all of the benefits and perils involved, and a lot of them are sticking to those quotas. They would not accept orders if they have more than a given amount at stake in some of these countries where they have exchange regulations that make things look a little dubious.

MEMBER: What would be the time element on the quota, a period of a year or six months?

CHAIRMAN: No, that is an over all quota, sort of like a revolving credit would be. You have a lot of shipments totaling \$50,000, and once you hit that figure you do not ship any more until you get some

PANEL MEMBER: In your business, it is based upon customers.

PANEL MEMBER: It does not work, you may ship goods to a customer who doesn't mean anything, and the money does not come in and so you push your good customer. That does not work with me.

ROUND TABLE CONFERENCE COMPENSATION REMUNERATION FCIB 2-4-48

CHAIRMAN: I have a telegram headed up as Compensation Remuneration, "Please submit Round Table Conference following question: What is being done regarding Colombia-Venezuela so-called compensation remuneration at end of employment whether voluntary resignation or dismissal of employees in payroll of concerns in United States? Do they settle according to Colombian-Venezuelan Laws?"

Does anybody have a subsidiary plant down there that can help this particular member? (None).

ROUND TABLE CONFERENCE EXCHANGE GUARANTY

FCIB 2-4-48

CHAIRMAN; QUESTION -- "What is the news concerning the exchange risk guaranty publicized about a month ago in connection with ERP?"

Does one of the Panel Members wish to comment on that?

PANEL MEMBER: I don't know enough about that.

CHAIRMAN: Is there anybody in the audience that wants to take a crack at the so-called guaranteeing of the exchange risk?

MEMBER: There was a comment to the effect of the overall sum to be spent on ERP. Seven per cent or something like \$500,000 would be set aside by our government to guaranty to American firms that moneys would be paid to them, and the only reason why it was not paid was because of the fact that there was an exchange transfer delay. In other words, if you are selling power plants to somebody in Belgium, and the only reason why you cannot get your money is because of the fact that there is a dollar exchange, the United States Government will, under ERP, out of this \$500,000 fund make payment to you.

MEMBER: It seems to me they are trying to stick into the Marshall Plan and ERP every cat that died in the last five years.

PANEL MEMBER: I rather believe that the Marshall planners are a little bit hazy about how much and what is going to be expended under the Marshall Plan for capital equipment and material of that sort, and how much is going to be put out by the Export-

Import Bank and under what arrangements. I think they are quite hazy on that, and I feel that we should ask for considerably more information than we have now gotten on that particular score. More than 50 to 60 per cent of it is going to be spent on this fuel, food and fertilizer, and a tremendous amount is going to be spent for petroleum. What is going to happen to the rest of it? What is that going to be spent for in centive goods, things that they can use with the German miners to get them to work harder -- things of that sort. But what is going to happen to the rest of it. What is that going to be expended for. Under what direction is it going to be expended -- railway cars, transport equipment, refinery equipment, and all that sort of stuff. Who is going to spend the money and how? If it is going to be spent over here, you haven't an exchange problem. If it is going to be spent some other way, if it is going to be applied as an export credit, you haven't an exchange problem. We haven't very much information on that score.

MEMBER: We have gone far enough to know that every mistake that was made under Lend-Lease, UNRRA and whatnot in the ten years past is being shoved right into the Marshall Plan.

PANEL MEMBER: You would not think that the mistakes they made previously in Export Control would reappear, would you?

MEMBER: They have, and it is appearing in the Marshall Plan.

ROUND TABLE CONFERENCE BANK CHARGES

FCIB 2-4-48

CHAIRMAN: QUESTION: "We would like to know how Bank charges are figured? By this we mean, does the percentage vary from amount of a draft, also the country? When these charges are refused by customer, is it customary for the company drawing the draft to absorb these charges?"

BANKER: I will answer that for the banks. New York bank charges in the United States are based primarily on bank charges made by foreign correspondents. The charges do vary. The banks in this country endeavor in most cases to collect an eighth of one per cent on all items, but the charges, as I said before, are based, the overall charges, on the bank's chargers abroad. For instance, in Nicaragua, as I recall, the banks had a charge of one per cent for collections. Therefore, the banks charged one and one-eighth here.

The collection charges do vary as to the amount in some countries. In other words, in the Argentine, I think you will bare me out, Ralph, that an eighth of one per cent is made on bills of 40,000 pesos.

CHAIRMAN: I think forty or fifty thousand. I forget the top

figure.

BANKER: I think it is an eighth of one per cent up to 40,000 pesos in the Argentine and free to any amount over 40,000 pesos. The bank here adding one-eighth on to those charges.

CHAIRMAN: The charges vary in every foreign country, and your banks here assess the corresponding collection charges plus their own. Do you want to comment on that?

MEMBER: To that you must add the various stamp taxes and so forth that are assessed locally.

BANKER: The stamp taxes are really an internal tax of the foreign country, and are generally paid by the drawees.

CHAIRMAN: Most banks enumerate these various charges separately, so that you know what you are paying your American bank, what you are paying abroad and what your stamp charges are. They are usually on the schedule.

MEMBER: They also have airmail charges where the prevailing rates are rather high.

BANKER: Not as far as we are concerned. There are actual postage charges.

ROUND TABLE CONFERENCE      EXPORT CONTROL      FCIB 2-4-48

CHAIRMAN: QUESTION -- "According to Current Export Bulletin No. 434, paragraph D, export licenses for commodities not on the Positive List will be issued for a validity period of 90 days. This period appears much too short considering import formalities and openings of Letters of Credit abroad as well as supply difficulties here. The Department of Commerce should be requested to extend this period immediately to 180 days as a minimum."

MR. MACK (Department of Commerce): I do not know whether it is going to be extended or not, but I think it is well to see that it goes into the minutes.

CHAIRMAN: How many feel that they should have a year's period on these licenses?

PANEL MEMBER: Two years.

ROUND TABLE CONFERENCE      HOLDING DOLLAR BALANCES      FCIB 2-4-48

CHAIRMAN: QUESTION -- "We are receiving requests from South American Representatives [redacted] and to [redacted]

hold their commissions for them here. Are others receiving similar requests and what action are they taking? What are the hazards involved?"

How many would do so, if requests? (None).

PANEL MEMBER: There is no reason why you should not follow a request like that.

CHAIRMAN: What are the hazards involved?

MEMBER: I don't see any hazard or risk involved. You pay the commission after the account is paid to you, and naturally you keep the commission here at the disposition of your agent.

MEMBER: I will say it is a nuisance, because sometimes we are advised to make five or six payments against an amount of \$500, but we have to comply with it.

CHAIRMAN: How many retain those commissions on their own books? (9).

How many insist that they are paid to their bank so that it can be taken off your books? (None).

MR. GRAY: Is there a possibility that the United States exporter will get into difficulty with the authorities in the importer's country?

CHAIRMAN: I don't think so. I think you have to look after your own government regulations, and if they take a census on assets held here by any foreigners in countries that are still blocked, you will have to be sure to declare them or you will get in trouble with your own Treasury Department.

MEMBER: There, too, is the question in some foreign countries, such as Sweden, where the Nationals are not allowed to maintain balances abroad. So there is a certain risk. And when those balances are accrued, they certainly should be paid without any delay.

MEMBER: I would like to say that we look upon the matter as between principal and agent. If the agent asks us to credit the account, we do so. If he asks us to credit the account in a New York bank, we do so. If anybody is guilty of violating the regulations, it is he and it is his liability with his government.

CHAIRMAN: We have some customers up in the New England area that have, over a period of some years now, acquired quite a

lot of money for some of their agents. The customer is dealing in machinery, and all that runs into fairly substantial sums. They wanted to get that liability off their books, and they have insisted that these agents open their own bank accounts and they will pay checks into the bank for their credit. And we have quite a number of them that have done that because they did not want to assume that liability.

MEMBER: We have a system whereby we pay these commissions as earned quarterly, so that the responsibility of the disposition of the money goes to the agent when we send him our check. That is a matter between him and his own government.

CHAIRMAN: There are a lot of them that do not want checks mailed to them at all.

MEMBER: We do make exceptions, as an accommodation.

MEMBER: We use these deposits as guarantees for sight draft shipments.

PANEL MEMBER: You cannot do that.

MEMBER: We do.

PANEL MEMBER: You have no right to do it unless your agent authorizes you to do it.

MEMBER: We have written agreements from all of them.

CHAIRMAN: I think that was done in one instance in a nearby country where the agent wants one or two customers sold on sight draft, and he has written to his principal that he will guarantee those accounts if they are not paid, and I think that is done in a few exceptional cases.

PANEL MEMBER: I would like to ask an entirely different question, if I may? Secretary Snyder made a very important statement a couple of days ago concerning the release of foreign funds over here, which could be very important to the export business. I must confess that it is away over my head as to just what he means. Do you suppose that with this galaxy of bankers we could chew on that one a while?

BANKER: I understand that the foreign governments will utilize dollar holdings in this country, and use them for dollar purchases. If that occurs, it seems to me that the fellows that hold these dollars are going to suffer in the exchange by being paid in local currency against their dollar holdings here.

here.

MEMBER: The last release I saw would only affect the blocked European nations. And only the accounts of five thousand or above and only old customers, no new customers. So that the total amounts of those countries, dollar balances will not be very large. France will probably be the largest and Belgium may be considerable, but the rest will be, if you leave Switzerland out, very small.

CHAIRMAN: I think that is right.

MEMBER: I would like to ask a question, whether it is the consensus of the people present that there is actual dollar shortage or whether it is a fact that most of the dollars have actually gone underground.

CHAIRMAN: In any particular country?

MEMBER: Take the world as a whole.

CHAIRMAN: How many feel that on the whole there is actually a dollar shortage, or there is a lot of underground dollars that could offset it?

MEMBER: That comes up with the question of Brazil. There it was mentioned that Argentina requires payment in United States dollars. I heard from my own agents in South America, that they do not buy or they cannot buy anything neither from Canada nor from any other American country, nor from Europe except by paying in dollars. Therefore, the demand for United States dollars is far bigger than actual sales from the United States would demand.

MEMBER: That still does not answer the question.

MEMBER: Isn't the word "shortage" a purely relative term? There can always be a shortage, because the rest of the world wants more American goods, and therefore, there will be a shortage of dollars, but that does not mean that they cannot pay for a reasonable amount of goods. The Senate Finance Committee recently published a report, and that has the exact amount of dollar balances by foreigners in this country, split up between officials and private, so that as of June 30, 1947, that report will give a very good outlook of how many privately owned -- you might say black markets in some cases -- are in this country in circulation.

MEMBER: I think the estimate given the other day by the Treasury Department was \$1,100,000,000. But getting back to the shortage, I think there will always be a shortage as long

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as we have such an imbalance in our exports and imports.

PANEL MEMBER: I must confess that I find it difficult to believe Argentina has a dollar shortage, as they claim. In view of all the things that are going on. How is Argentina spending the dollars she has? That is the question we ought to ask. And other countries, too.

MEMBER: I think it is more of a mal-distribution of dollars than an actual shortage. That mal-distribution is created by the Washington authorities. The Department of Agriculture, through their food department, and everybody, wants to get sufficient dollars to be able to purchase their foodstuffs.

PANEL MEMBER: Of course, you have to figure out how much abnormal use there was of dollars from abroad last year, to pay for food and fuel. If all those dollars could have been expended for machinery and drygoods, and what have you, just think of the difference there would have been.

MEMBER: As to the relativity of the holdings in dollars, there is a table in the Monthly Federal Reserve Bulletin each month showing the pre-war dollar holdings of every country as well as the current ones. They are about three months behind in the tabulation of those, but in almost every country, it shows they have more dollars now than they had before the war.

MEMBER: Practically all of these comments have been based on stories that have appeared in the newspapers. I will give my own opinion. I asked the question. I think there is actually no shortage of dollars, that there actually is more dollars available for foreign account than ever before, but through the operation of Gresham's Law, bad money driving out good money, these people abroad wherever possible want to get their hands on American dollars and hold on to them. I know from my own experience. And I have been surprised at many instances, where I will open an envelope in the morning, and there is a check in the mail from a person I did not know, "Please credit the account of so and so abroad." They knew me, and they felt that they would rather let the \$20,000 stay with me than with anybody else. I could not ask them any questions as to how or where they got the money, or anything of that sort. And I think that practically every exporter has had similar experiences. Perhaps not in \$20,000 amounts, but in various other amounts.

(With a vote of thanks to the Chairman and the Discussion Panel, the meeting adjourned at 4:00 p.m.)

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